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April 8, 2013

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Ms. Jocelyn Boyd
Chief Clerk and Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29210

Re: ND 2013-6-C

Dear Ms. Boyd:

I am writing on behalf of the South Carolina Telephone Coalition (SCTC) to provide information to the Commission in response to ORS' letter dated March 20, 2013 regarding the annual USF data forms the incumbent local exchange carriers (ILECs) submit to ORS as Fund Administrator of the State USF.

As ORS' letter states, recent filings for some companies have reflected that USF amounts exceed reported cost. As these companies have previously informed ORS, the purpose of the calculations in Attachment 2 to the annual July USF data request is to determine if a carrier is eligible to file for additional funds from the SC Universal Service Fund. The companies are not seeking additional State USF funding at this time.

Additionally, as the companies have represented to ORS, the primary reason that the "Net State High Cost Support per line" on line 5 of the Attachment 2 is negative for certain SCTC companies is because the "Cost per line, approved by the Commission" on line 1 was developed using 2002 data. While this number has remained constant in the company filings to the state since 2002, the actual loop cost has continued to increase. The "Federal per line USF support" on line 3 is based on federal cost studies filed with and approved by the National Exchange Carrier Association ("NECA"), and has increased over time due to the companies' continued investment and expansion of their networks. In fact, NECA's federal USF Trending Reports show that, on average for the affected companies, federal USF cost per loop increased over 100% from 2002 to 2010. The federal USF support has increased because over this period the federal USF cost of service has increased with the companies' investment in these network projects. If the companies were to request

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additional state USF, their updated cost information would reflect these same increases in network investment and costs that have been seen in the federal USF.

Having said that, early this year the companies undertook an examination of their costs. The SCTC companies are submitting to ORS today updated USF data forms for Calendar Year 2012 in advance of the annual July 1 deadline. In order to more accurately portray the companies' costs and cost recovery, the SCTC companies' filings include updated cost amounts prepared by Manny Staurulakis of JSI, utilizing a surrogate cost method, as allowed by S.C. Code Ann. § 58-9-280(E)(6). In response to ORS' request for guidance, we respectfully submit, subject to review by ORS and the PSC of the surrogate cost results as may be appropriate, that no further action is needed.

Again, the companies are not seeking additional State USF at this time, and there is no requirement to update cost of service studies because the companies are drawing far less than the maximum amounts they have been approved to receive. In the aggregate, the companies draw approximately 18% of the amount of State USF for which they have been approved. However, as federal high cost support, Subscriber Line Charge, and tariffed local rates have risen over the years, we believe it is appropriate at this time to also update the monthly cost figures so that annual data forms will reflect an "apples to apples" comparison.

Please contact us if you should need additional information.

Sincerely,

McNAIR LAW FIRM, P.A.



M. John Bowen, Jr.

MJB Jr./rwm

cc: Nanette S. Edwards, Esquire, ORS